

FISCAL NOTE

Bill #: SB0261

Title: School district minimum budget authority

Primary

Sponsor: Mike Halligan

Status: Introduced

| | | | |
|-------------------|------|-----------------------------|------|
| Sponsor signature | Date | Dave Lewis, Budget Director | Date |
|-------------------|------|-----------------------------|------|

Fiscal Summary

| | <u>FY2000 Difference</u> | <u>FY2001 Difference</u> |
|--|-------------------------------------|-------------------------------------|
| Net Impact on General Fund Balance: | None | |

| <u>Yes</u> | <u>No</u> | | <u>Yes</u> | <u>No</u> | |
|-------------------|------------------|----------------------------------|-------------------|------------------|-------------------------------|
| | x | Significant Local Gov. Impact | | x | Technical Concerns |
| | x | Included in the Executive Budget | | x | Significant Long-Term Impacts |

Fiscal Analysis

ASSUMPTIONS:

1. SB 261 affects the process for adoption of school general fund budgets in the over-BASE area. The state does not participate in the funding of school district general fund budgets in the over-BASE area.
2. There is no fiscal impact to the state from SB 261.
3. This legislation affects the requirements for voting for adoption of school general fund.

FISCAL IMPACT:

| | <u>FY2000 Difference</u> | <u>FY2001 Difference</u> |
|--|-------------------------------------|-------------------------------------|
| Net Impact to Fund Balance (Revenue minus Expenditure): | | |
| General Fund (01) | 0 | 0 |

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The effect of SB261 on school districts will differ if CI-75 remains in effect or is declared invalid.

CI-75 remains in effect

SB 261 replaces the requirement that any increase in budget or budget per ANB be voted with a requirement that any increase in taxes be voted. When enrollments are declining, as is generally the current situation in

(continued)

Montana, the bill allows districts who would have had to reduce their budgets, unless approved by the voters, to maintain their prior year budgets without a vote (as long as they do not exceed the maximum budget). When taxable valuations are rising, as is also generally the current situation in Montana, the bill allows school districts to adopt larger general fund budgets increases without a vote than would be the case if the district had to vote both budget authority and tax increases. To the extent that district trustees approve budget increases when voters may not have, district spending and taxes will be higher than they would be under current law.

CI-75 is declared invalid

SB 261 would require a vote on budgets (for districts below maximum) when the increase was the greater of previous year's budget or budget per ANB rather than the lesser of the two as required currently. Districts with declining enrollments, which would currently experience a decline in budget unless approved by the voters, would be able to maintain the previous year's budget without such a vote under SB 261. This bill would also allow districts to exceed the maximum (with a vote) if enrollment declines caused the maximum budget to fall below the previous year's budget. These provisions would likely result in expenditures and taxes higher than under current law without CI-75.

TECHNICAL NOTES:

1. OPI through Administrative Rules requires a practice of "once equalized, always equalized." If a district adopts a budget within the equalized range (between the BASE and the maximum) in one year, it must stay within the equalized range in subsequent years. For example, if a district is budgeting at the maximum level in one year and it experiences an enrollment decline, the district must reduce its general fund budget in the following year so as not to exceed the new maximum. The only districts that may adopt a budget greater than the maximum are those districts that were budgeting above the maximum when HB 667 was adopted in 1993. It is not clear whether the amendments to 20-9-308 (4)(a) are intended to change the current OPI practice.